

**UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO  
RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO,  
*et al.*,

Debtors.<sup>1</sup>

PROMESA

Title III

No. 17 BK 3283-LTS

*(Jointly Administered)*

**Re: ECF No. 22668**

In re:

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO  
RICO,

as representative of

PUERTO RICO ELECTRIC POWER  
AUTHORITY,

Debtor.

PROMESA

Title III

No. 17 BK 4780-LTS

**THE PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY  
AUTHORITY'S STATUS REPORT REGARDING THE GOVERNMENT OF PUERTO  
RICO'S RESPONSE TO RECENT ACTIVITIES, INCLUDING  
THE PASSING OF HURRICANE FIONA**

To the Honorable United States District Judge Laura Taylor Swain:

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<sup>1</sup> The Debtors in these Title III cases, along with each Debtor's respective Title III case number listed as a bankruptcy case number due to software limitations and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (the "Commonwealth") (Bankruptcy Case No. 17-BK-3283 (LTS)) (Last Four Digits of Federal Tax ID: 3481), (ii) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17-BK-3566 (LTS)) (Last Four Digits of Federal Tax ID: 9686), (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17-BK-3567 (LTS)) (Last Four Digits of Federal Tax ID: 3808), and (iv) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17-BK-3284 (LTS)) (Last Four Digits of Federal Tax ID: 8474); (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17-4780 (LTS)) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority ("PBA") (Bankruptcy Case No. 19-BK-5523-LTS) (Last Four Digits of Federal Tax ID: 3801).

The Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”), through its undersigned counsel, submits this status report on behalf of the Government of the Commonwealth of Puerto Rico (the “Government”) in response to the Court’s *Order Regarding Procedures For Hearing On November 2-3, 2022, Omnibus Hearing* [ECF No. 22668], and states as follows:

### **PRELIMINARY STATEMENT**<sup>2</sup>

Approximately a month and a half after the Hurricane Fiona struck Puerto Rico, the Government has continued working with various Commonwealth and federal government agencies (including the Federal Emergency Management Agency (“FEMA”) and the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”) on recovery issues. As of October 14, 2022, 99% of the Island’s electricity and water service have been restored. Governor Pedro Pierluisi recently announced that FEMA, with the authorization of President Biden who visited Puerto Rico on October 3, 2022, accepted a request to help stabilize Puerto Rico’s electric energy system, particularly focused on energy generation, to address the damage caused by Hurricane Fiona<sup>3</sup>. After a full damage evaluation is completed, the federal government will identify available measures to help stabilize Puerto Rico’s electric system while the construction of permanent modernization projects for the electric system continues. The Government also has ongoing meetings with the United States Secretary of Energy, Jennifer Granholm (who recently visited Puerto Rico), to fulfill President Biden’s pledge for federal agencies to expedite the

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<sup>2</sup> Defined terms not otherwise defined herein shall have the same meaning given to them in *The Puerto Rico Fiscal Agency And Financial Advisory Authority’s Status Report Regarding The Government Of Puerto Rico’s Response To Recent Activities, Including The Passing Of Hurricane Fiona* (the “September Report”) [ECF No. 22402].

<sup>3</sup> See Fortaleza Website, GOBIERNO Y FEMA TRABAJAN JUNTOS PARA ESTABILIZAR SISTEMA ELÉCTRICO DE LA ISLA TRAS DAÑOS OCASIONADOS POR FIONA, (October 19, 2022) (<https://www.fortaleza.pr.gov/comunicados/gobierno-y-fema-trabajan-juntos-para-estabilizar-sistema-electrico-de-la-isla-tras-danos-ocasionados-por-fiona>).

reconstruction of the Island's electric system, and to broaden the resources available to support the transformation to a new, cleaner, reliable and resilient electric system.<sup>4</sup>

Further, following the entry of the *Order And Judgment Confirming Modified Fifth Amended Title III Plan Of Adjustment Of The Puerto Rico Highways And Transportation Authority* [Case No. 17-03567, ECF No. 1415] on October 12, 2022, the Government is working to finalize matters to allow the HTA effective date to occur and the HTA plan of adjustment to be implemented thus reducing over \$3 Billion in debt service payments of HTA. The restructuring of HTA will pave the way to establish a secure path for it to improve its fiscal situation, while facilitating investments in infrastructure for the benefit of Puerto Rico's citizens.<sup>5</sup>

Moreover, to continue ensuring Puerto Rico's recovery, as detailed below, (i) the Governor announced that the Working Capital Advance ("WCA") program is now available for the Public Housing Administration ("PHA") and the Department of Education ("DOE"), seeking, among other things, to expedite the transformation of public-school infrastructure, and (ii) the Government also announced that it is engaged with FEMA and the federal government to address concerns regarding the inflation of costs of materials and labors, to assure that construction projects are uninterrupted.

The Puerto Rico Department of Health ("DOH") continues to monitor COVID-19 infections. The positivity rate has decreased and, as a result, DOH has been periodically adjusting

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<sup>4</sup> See Fortaleza Website, EXPRESIONES AUTORIZADAS DEL GOBERNADOR TRAS REUNIÓN CON SECRETARÍA DE ENERGÍA FEDERAL, (October 20, 2022) (<https://www.fortaleza.pr.gov/comunicados/expresiones-autorizadas-del-gobernador-tras-reunion-con-secretaria-de-energia-federal>).

<sup>5</sup> See AAFAF Website, EXPRESIONES DEL DIRECTOR EJECUTIVO DE LA AUTORIDAD DE ASESORÍA FINANCIERA Y AGENCIA FISCAL (AAFAF), OMAR J. MARRERO DÍAZ, CON RELACIÓN A LA APROBACIÓN DEL PLAN DE AJUSTE DE LA AUTORIDAD DE CARRETERAS Y TRANSPORTACIÓN (ACT), (October 12, 2022) (<https://www.aafaf.pr.gov/wp-content/uploads/Exp-OJM-AAFAF-aprobacion-PAD-ACT.pdf>).

prevention measures. The DOH also remains vigilant following the World Health Organization's ("WHO")'s declaration, on July 23, 2022, that the multi-country outbreak of monkeypox is a public health emergency of international concern ("PHEIC"),<sup>6</sup> and has set up vaccination centers to curb its transmission in the Island following the Governor's declaration of a state of emergency in connection with such virus.<sup>7</sup>

## **I. Status of Recovery From Hurricane Fiona**

1. As of October 14, 2022, 99% of both the Island's water and electric services had been restored. However, Hurricane Fiona inflicted significant damage to the Puerto Rico Electric Power Authority's power generation plants, which damage remains.<sup>8</sup>

2. Earlier this month, the Governor announced that in response to Hurricane Fiona, (i) the Oversight Board, upon request by the Office of Management and Budget ("OGP" for its initials in Spanish), extended the period for the central government to have access to the OGP's Emergency Fund, (ii) the Government had utilized \$73.9 Million from such fund (\$20 Million of which was distributed among municipalities, (iii) \$12.3 Million was used for distribution of food and water, (iv) \$10 Million was used for debris removal, (v) \$4.9 Million funded equipment and heavy machinery, and (vi) \$4.5 Million funded electric generators.

3. Furthermore, the Government announced that (i) eight million bottles of water and an additional eight million gallons of potable water were provided to citizens, (ii) 55,000 purchases

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<sup>6</sup> See WHO Website, ([https://www.who.int/news-room/questions-and-answers/item/monkeypox?gclid=CjwKCAjw5P2aBhAIEiwAAAdY7dMBHnBuv820\\_IJQn\\_GktYOs4X6zJ7xwoYI38DISFhUIzP\\_38S89odRoCFBYQAvD\\_BwE](https://www.who.int/news-room/questions-and-answers/item/monkeypox?gclid=CjwKCAjw5P2aBhAIEiwAAAdY7dMBHnBuv820_IJQn_GktYOs4X6zJ7xwoYI38DISFhUIzP_38S89odRoCFBYQAvD_BwE)).

<sup>7</sup> See, El Nuevo Día (September 2, 2022) (<https://www.elnuevodia.com/noticias/locales/notas/pedro-pierluisi-declara-un-estado-de-emergencia-por-la-viruela-del-mono/>).

<sup>8</sup> See Fortaleza Website, GOBERNADOR PIERLUISI BRINDA ACTUALIZACIÓN DE ESFUERZOS TRAS HURACÁN FIONA, (October 14, 2022) (<https://www.fortaleza.pr.gov/comunicados/gobernador-pierluisi-brinda-actualizacion-de-esfuerzos-tras-huracan-fiona>).

of nonperishable food were made in 62 municipalities, (iii) 161,000 gallons of diesel fuel was distributed to municipalities, hospitals, emergency centers and government entities, (iv) 300 electric generators had been delivered throughout the Island, and (v) that the Department of Health had delivered 200 solar generators in vulnerable zones to citizens with critical conditions, and that, as of October 14, 2022, an additional 200 generators would be delivered.

4. Preliminary estimates for damages caused Fiona are approximately \$10 billion. The Government continues working with FEMA to assure reconstruction projects to address the damage caused by Hurricane María and affected by Hurricane Fiona will continue without delay. Under FEMA's Individual Assistance Programs, 503,000 applications have been approved, paying out more than \$386 Million in assistance, while state agencies, such as the Department of Economic Development and Commerce, have provided \$15 Million to assist small and medium businesses in recovering from Hurricane Fiona. The Government is confident its efforts will pave the way for Puerto Rico's prompt recovery.

## **II. Continued Reduction in Positivity Rates for the COVID-19 Virus**

5. As detailed in previous reports, the DOH maintains a "dashboard" to provide daily updates on COVID-19 related statistics<sup>9</sup>.

6. Since the September Report, the Government has continued observing a reduction in the rate of COVID-19 infections, with a positivity rate of approximately 13.85% as of October 31, 2022.<sup>10</sup> Based on these sustained reductions in contagion, the DOH issued Administrative Order 2022-551 ("OA 2022-551"), through which it eliminated the mandatory use of facemasks at large-scale events, whether they take place indoors or outdoors.<sup>11</sup>

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<sup>9</sup> <https://covid19datos.salud.gov.pr/>.

<sup>10</sup> COVID-19 In Figures In Puerto Rico, <https://covid19datos.salud.gov.pr/> (last visited October 31, 2022).

<sup>11</sup> See DOH Website, OA 2022-551 (<http://www.salud.pr.gov/CMS/DOWNLOAD/6665>).

### **III. Status of COVID-19 Vaccination Process and Infections**

7. The Government continues to promote COVID-19 vaccinations, including first and second booster-shots, as well as social distancing and the constant washing of hands, as the best way to combat COVID-19's spread.

8. As noted in previous reports, the DOH adopted the Centers for Disease Control and Prevention ("CDC")'s definition of being "up-to-date with vaccinations," which distinguishes between (i) "non-vaccinated," (ii) "not up-to-date with vaccinations," and (iii) "up-to-date with vaccinations," indicating that such distinction provides the most accurate available data.

9. Based on those definitions, as of October 31, 2022, in Puerto Rico, there are (i) 1,061,529 individuals (or 33.24% of the population) with "up-to-date vaccinations," (ii) 1,776,300 individuals with "not up-to-date with vaccinations," and (iii) 355,865 non-vaccinated individuals.<sup>12</sup>

10. As stated in previous reports, the Government continues promoting several programs to reach and encourage eligible individuals to get vaccinated, which efforts have helped to achieve favorable results. As of today, Puerto Rico has had 418,352 confirmed cases, 563,586 probable cases, and 5,260 reported deaths.

11. Although the reduction in positivity rates is notable, the Government continues to work closely with experts from various sectors to monitor the virus and to adopt or modify any necessary measure or restriction that may be required on a timely basis.

12. Further, as mentioned above, the DOH has habilitated several centers for vaccination against the transmission of the monkeypox, announcing mass vaccination events for November 5, 2022, and November 16, 2022, and, as of October 28, 2022, has administered 5,144

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<sup>12</sup> <https://covid19datos.salud.gov.pr/>.

doses of vaccines<sup>13</sup>. As with the COVID-19 virus, the DOH will continue monitoring the spread of this the monkeypox and will take the necessary measures that may be appropriate to combat the same.

#### **IV. Update on Funding Related to COVID-19 and Disaster Relief Funds**

##### **A. Update on Disaster Relief Funds**<sup>14</sup>

13. The Government continues to disburse federal aid pursuant to the Governor's public policy of restoring crucial infrastructure. The various disbursements made, and important developments, since the September Report include:

- On September 28, 2022, the Government announced that the Department of Transportation and Public Works ("DTOP") signed collaborative agreements with certain municipalities to expedite the response to the emergency caused by the passing of Hurricane Fiona. Among other things, these agreements are aimed towards—with the collaboration of Central Office for Recovery, Reconstruction and Resiliency ("COR3") and FEMA—mitigating the impact of the passing of hurricanes or any other catastrophic event in highways, that implies some type of disaster declaration by the federal government, the DTOP and the municipalities. The process entails that each municipality will notify the DTOP of the projects to be made, and thereafter, the agency will be responsible for procuring the reimbursement of expenses incurred by such municipality.<sup>15</sup>
- On October 5, 2022, the COR3 revealed that, within the third semester of the year 2022, the Government had already reached its goal originally projected to be reached by December, of disbursing approximately \$1,008 million in advances and reimbursements for projects led by municipalities, government dependencies and non-profit organizations, through FEMA's Public Assistance program.<sup>16</sup> The progress in these disbursements is due, in great part, to the implementation of the Working Capital Advance (the "WCA")—which advances 25% of the total cost of

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<sup>13</sup> See, DOH Website, VIGILANCIA, VIRUELA SÍMICA, (last visited on October 31, 2022) (<https://www.salud.gov.pr/CMS/DOWNLOAD/6546>).

<sup>14</sup> The data and information provided herein has been obtained by AAFAF directly from COR3.

<sup>15</sup> See COR3 Press Release, DTOP FIRMA ACUERDOS COLABORATIVOS CON MUNICIPIOS PARA AGILIZAR RESPUESTA DE REHABILITACIÓN DE CARRETERAS TRAS EL PASO DEL HURACÁN FIONA, (September 28, 2022), <https://recovery.pr.gov/es/press-releases/dtop-firma-acuerdos-colaborativos-con-municipios-para-agilizar-respuesta-de-rehabilitacion-de-carreteras-tras-el-paso-del-huracan-fiona>.

<sup>16</sup> See COR3 Press Release, COR3 INCLUYE IMPORTANTES DEPENDENCIAS GUBERNAMENTALES EN EL WORKING CAPITAL ADVANCE, (October 5, 2022), <https://recovery.pr.gov/es/press-releases/cor3-incluye-importantes-dependencias-gubernamentales-en-el-wca>.



obligated projects that have not commenced for lack of funds—and which program is now available for the Public Housing Administration (“PHA”) and the Department of Education (“DOE”). For the transformation of public-school infrastructure, the DOE can receive approximately \$70 Million out of the \$278.4 Million of total costs for 29 projects, and the AVP can receive \$81.6 Million to initiate approximately 130 permanent projects with an approximate FEMA obligated amount of \$356.6 Million. Moreover, as of October 5, 2022, PREPA and PRASA have received advance disbursements of \$149.3 Million and \$173 Million, respectively, and the COR3 projects that, by the end of 2022, the total disbursements will be close to \$1,300 Million, the highest in COR3 history.

- On October 5, 2022, the secretary of the Puerto Rico Recreation and Sports Department announced an investment of \$13.5 Million for the reconstruction of 26 sports installations in eleven (11) Municipalities (namely, Arecibo, Arroyo, Cataño, Dorado, Guayama, Loíza, Manatí, San Juan, Santa Isabel, Utuado y Vega Baja), all of which installations were affected by the passing of hurricane María.<sup>17</sup>
- On October 11, 2022, the Government announced that COR3, with AAFAF, commissioned an analysis of the tendencies in the increase in costs of materials, equipment and labor in the construction industry of Puerto Rico.<sup>18</sup> Indeed, the COR3 announced that the Government’s analysis was presented in August to FEMA’s leadership to address cost-inflation concerns, and that the challenges faced by COR3 are similar to those faced in the United States mainland, based on the fact that, because the budget process for permanent projects was undertaken during 2020 in the middle of the COVID19 pandemic but the bidding process is being realized in 2022, certain circumstances, such as the war between Ukraine and Russia and the global interruption in the chain of supplies, there are discrepancies between the projected costs of materials and the actual costs. The Government announced that it is engaged in communications with FEMA and the federal government to address this matter in conjunction with other related petitions to acquire more resources and flexibility to expedite the efficient reconstruction of Puerto Rico.
- On October 11, 2022, the Government also announced the opening of an additional Disaster Recuperation Center (“DRC”) in Canóvanas, which, in collaboration with such Municipality, the Government and FEMA, will assist survivors of hurricane

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<sup>17</sup> See COR3 Press Release, ENCAMINADO EL PROCESO DE RECONSTRUCCIÓN DE 26 INSTALACIONES DEPORTIVAS, (October 5, 2022), <https://recovery.pr.gov/es/press-releases/encaminada-la-reconstruccion-de-26-instalaciones-deportivas>.

<sup>18</sup> See COR3 Press Release, COR3 PRESENTA ANÁLISIS DE INFLACIÓN DE MATERIALES Y MANO DE OBRA EN PROYECTOS DE RECONSTRUCCIÓN, (October 11, 2022), <https://recovery.pr.gov/es/press-releases/cor3-presenta-analisis-de-inflacion-de-materiales-y-mano-de-obra-en-proyectos-de-reconstruccion>. Furthermore, a copy of the official report for this analysis can be found in COR3’s website: <https://recovery.pr.gov/documents/Construction%20Cost%20Analysis%20June%202022.pdf>.



Fiona to request assistance from FEMA.<sup>19</sup> Furthermore, also on October 11, 2022, the Government announced that FEMA's Disaster Survivor Assistance ("DSA") teams have been actively visiting several wards in various municipalities to assist affected by the passing of hurricane Fiona to register for disaster assistance.<sup>20</sup>

- In furtherance of continuing the Government's public policy for infrastructure reconstruction, on October 19, 2022, the COR3 informed that, as of that date, 195 applications— from governmental agencies, municipalities and non-profit organizations—for the FEMA Request for Public Assistance program ("RPA") for damages caused by the passing of hurricane Fiona, of which 147 have already been identified as eligible, encouraging all entities with structures that were affected by the hurricane to submit their applications on or before October 21, 2022.<sup>21</sup> The COR3 also announced that it has been conducting "Applicant Briefings" seminars (virtually and in person), aimed towards providing guidance as to the processes to follow for projects to be eligible under FEMA guidelines.
- On October 25, 2022, the Government announced an extension of the WCA program—effective on that same date—to governmental dependencies and non-profit entities, stating, as an example, that the Department of Public Works and Transportation, could, through the WCA program, request advances of approximately \$51.4 Million for obligated projects with costs of \$205.6 Million.<sup>22</sup> The Government expects that this extension could represent advances of approximately \$685 Million to allow government agencies and non-profit organizations to commence and expedite the reconstruction of buildings, highways, bridges, recreational parks, water installations and other basic services for Puerto Rico.
- On October 27, 2022, the executive director of COR3 encouraged all employees of the government, municipalities and directors of non-profit organizations to

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<sup>19</sup> See COR3 Press Release, FEMA ABRE CENTRO DE RECUPERACIÓN POR DESASTRE EN CANÓVANAS, (October 11, 2022), <https://recovery.pr.gov/es/press-releases/fema-abre-centro-de-recuperacion-por-desastre-en-canovanas>. A list of all available DRCs is located in this same press release, and a DRC database locator can be found in FEMA's website: <https://gateway.fema.gov/ESF6/DRCLocator>.

<sup>20</sup> See COR3 Press Release, FEMA MOVILIZA EQUIPOS DE ASISTENCIA A SOBREVIVIENTES DEL DESASTRE EN TODO PUERTO RICO, (October 11, 2022), <https://recovery.pr.gov/es/press-releases/fema-moviliza-equipos-de-asistencia-a-sobrevivientes-del-desastre-en-todo-puerto-rico>. However, affected residents do not need to wait for the visit of a DSA team, and can commence requesting assistance through the Disaster Assistance portal: <https://www.disasterassistance.gov/es>.

<sup>21</sup> See COR3 Press Release, CIENTAS DE ENTIDADES GUBERNAMENTALES, MUNICIPALES Y SIN FINES DE LUCROS HAN COMPLETADO LA SOLICITUD DEL PROGRAMA DE ASISTENCIA PÚBLICA, (October 19, 2022), <https://recovery.pr.gov/es/press-releases/cientas-de-entidades-han-completado-la-solicitud-del-programa-de-asistencia-publica>.

<sup>22</sup> See COR3 Press Release, GOBERNADOR PIERLUISI ANUNCIA EXTENSIÓN DEL WORKING CAPITAL ADVANCE PARA DEPENDENCIAS GUBERNAMENTALES Y ENTIDADES SIN FINES DE LUCRO, (October 25, 2022), <https://recovery.pr.gov/es/press-releases/gobernador-pierluisi-anuncia-extension-del-working-capital-advance-para-dependencias-gubernamentales-y-entidades-sin-fines-de-lucro>.

complete a Quarterly Progress Report (“QPR”) through the Disaster Recovery Solution portal, on or before November 4, 2022, explaining that the QPR’s provide crucial data regarding the progress of reconstruction projects for the period of July through September.<sup>23</sup> The COR3 further noted that, during past quarters, an increase in the development of reconstruction projects had been recorded, stating that, during the first quarter of the year 2022, 2,650 reconstruction projects for damages caused by hurricane María had been reported, with a FEMA obligated amount of approximately \$2,100 Million, while, for the period of April through June 2022, approximately 5,613 permanent projects were reported to be in development, representing an increase of 111.8% in comparison to previous years.

14. As of October 24, 2022, the United States Congress had appropriated \$80,303,915,925 for Puerto Rico’s recovery efforts. Of this amount, approximately \$69,622,383,938 has been committed by federal agencies for distribution, and \$26,173,090,136—around 32.6% of the appropriated amounts—has been disbursed. Of the amounts obligated and disbursed, FEMA has committed \$43,838,442,051 and disbursed \$16,815,202,102 of the total amounts detailed above. Furthermore, of the amounts obligated and disbursed, other federal agencies that provide financial assistance when major disasters and emergencies occur have approved \$30,211,760,603 and disbursed \$4,470,048,077 of the total amounts detailed above. The Government’s use of these funds is detailed on the COR3 website and can be accessed at <https://recovery.pr/en>.

## **V. PFC Title VI Transaction**

15. On October 25, 2022, AAFAF, on behalf of the Puerto Rico Public Finance Corporation (“PFC”), and the Oversight Board launched solicitation of a Qualifying Modification for PFC (the “Qualifying Modification”) pursuant to Title VI of PROMESA. On October 28, 2022, the Oversight Board, as the Title VI Administrative Supervisor, also commenced a Title VI

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<sup>23</sup> See COR3 Press Release, EXHORTAN A FUNCIONARIOS ESTATALES, MUNICIPALES Y ORGANIZACIONES SIN FINES DE LUCRO A COMPLETAR EL INFORME DE PROGRESO TRIMESTRAL, (October 27, 2022), <https://recovery.pr.gov/es/press-releases/exhortan-a-funcionarios-estatales-municipales-y-organizaciones-sin-fines-de-lucro-a-completar-el-informe-de-progreso-trimestral>.

proceeding in this Court by filing an application seeking approval of the Qualifying Modification (the “Approval Application”). The deadline to vote on the Qualifying Modification is November 21, 2022.

16. The Qualifying Modification involves the restructuring of the following bonds issued by PFC: (i) Series 2011A Commonwealth Appropriation Bonds, (ii) Series 2011B Commonwealth Appropriation Bonds, and (iii) Series 2012A Commonwealth Appropriation Bonds (collectively, the “Participating Bonds”). The Participating Bonds are payable solely from payments of principal and interest on certain promissory notes (the “Notes”) issued by certain departments, agencies, instrumentalities, and public corporations of the Commonwealth of Puerto Rico, which Notes are payable solely from budgetary appropriations (if any) made by the Puerto Rico Legislative Assembly. If the requisite votes are received and the Qualifying Modification is approved by this Court and implemented, the Qualifying Modification will result in the discharge of the Participating Bonds at a significant discount. In particular, the only new economic consideration required to be provided by the Commonwealth or PFC to discharge the more than \$1.5 billion (including principal and unpaid interest) of Participating Bonds is through payment of \$13.8 million in cash. The remaining consideration, subject to and as provided under the Qualifying Modification, will be in the form of bonds issued by the GDB Debt Recovery Authority (the “DRA”) in the face amount of up to approximately \$47 million.

17. In addition, if consummated, the Qualifying Modification will result in the release of all claims against the agencies and public corporations that issued the Notes. This will allow the Notes liability that is currently carried on the balance sheets of multiple government agencies and public corporations to be eliminated. Consummation of the Qualifying Modification thus

represents a significant step in restructuring the Commonwealth's legacy debt and paving the way for Puerto Rico to regain access to the capital markets.

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Dated: November 1, 2022  
San Juan, Puerto Rico

Respectfully submitted,

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